

**CITY OF STORM LAKE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011**

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CITY OF STORM LAKE
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jon Kruse	Mayor	December 2013
David Walker	Mayor Pro Tem	December 2011
Jim Treat (through November 14, 2010)	Council Member	December 2011
Bruce Engelman (beginning November 15, 2010)	Council Member	December 2011
Sara Huddleston	Council Member	December 2011
Mike Porsch	Council Member	December 2013
Dan Anderson	Council Member	December 2013

Appointed Officials

James Patrick	City Manager	Indefinite
Justin Yarosevich	Assistant City Manager/City Clerk	Indefinite
Paul Havens	City Attorney	Indefinite

WINTHER, STAVE & Co., LLP
Certified Public Accountants

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P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Storm Lake
Storm Lake, IA 50588

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Storm Lake, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Storm Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Storm Lake at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011 on our consideration of the City of Storm Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 49 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Storm Lake's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2008 (which are not presented herein) were audited by other auditors, in accordance with the standards referred to in the second paragraph of this report, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wintner, Starn & Co., LLP

December 22, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Storm Lake provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 Financial Highlights

- Total revenue for the City increased 16.3%, or approximately \$2,710,000, from fiscal year 2010 to fiscal year 2011. Most of this increase was due to a \$700,000 capital grant for campground improvements and increases in charges for services. Property tax revenue increased by approximately \$300,000.
- Total program expenses increased 7.6%, or approximately \$1,300,000, from fiscal year 2010 to fiscal year 2011. This was due in large part to increased public works and utility costs.
- The City's net assets increased 1.02%, or approximately \$402,000, from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities increased by approximately \$1,135,000 and the net assets of the business-type activities decreased by approximately \$733,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and present an overall view of the City's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the retiree health plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Reporting The City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities reports information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property and other taxes and state and federal grants finance most of these activities.
- Business-type activities include the waterworks, sanitary sewer system, storm water system, King's Pointe, and the City's sanitation department. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as tax increment financing revenue, local options sales tax, and employee benefits tax levy, (c) the Debt Service Fund, and (d) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures, and changes in fund balances.

- Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the services it provided. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The enterprise funds include the waterworks, wastewater, storm water, King's Pointe, and sanitation funds, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets for governmental and business-type activities.

	Net Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2009
Current and other assets .	\$ 9,086,260	\$ 9,238,070	\$ 7,232,015	\$ 8,142,241	\$16,318,275	\$17,380,311
Capital assets	<u>23,317,274</u>	<u>22,344,375</u>	<u>34,139,666</u>	<u>34,099,154</u>	<u>57,456,940</u>	<u>56,443,529</u>
Total assets	<u>32,403,534</u>	<u>31,582,445</u>	<u>41,371,681</u>	<u>42,241,395</u>	<u>73,775,215</u>	<u>73,823,840</u>
Long-term liabilities	20,487,200	21,163,600	7,433,000	7,822,000	27,920,200	28,985,600
Other liabilities	<u>4,784,222</u>	<u>4,422,107</u>	<u>1,392,265</u>	<u>1,139,998</u>	<u>6,176,487</u>	<u>5,562,105</u>
Total liabilities	<u>25,271,422</u>	<u>25,585,707</u>	<u>8,825,265</u>	<u>8,961,998</u>	<u>34,096,687</u>	<u>34,547,705</u>
Net assets:						
Invested in capital assets -						
net of related debt	2,857,274	1,194,375	26,706,666	26,277,154	29,563,940	27,471,529
Restricted	2,313,534	3,105,996	590,137	322,541	2,903,671	3,428,537
Unrestricted	<u>1,961,304</u>	<u>1,696,367</u>	<u>5,249,613</u>	<u>6,679,702</u>	<u>7,210,917</u>	<u>8,376,069</u>
Total net assets	<u>\$ 7,132,112</u>	<u>\$ 5,996,738</u>	<u>\$32,546,416</u>	<u>\$33,279,397</u>	<u>\$39,678,528</u>	<u>\$39,276,135</u>

Total net assets increased from 2010 to 2011 by approximately \$402,000 or 1.02%. The largest portion of the City's net assets are invested in capital assets (e.g. land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements.

Changes in Net Assets for the Year Ended June 30,

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program Revenue:						
Charges for service	\$1,653,813	\$1,554,549	\$ 9,498,144	\$ 8,707,050	\$11,151,957	\$10,261,599
Operating grants, contributions, and restricted interest	1,308,396	1,252,739			1,308,396	1,252,739
Capital grants, contributions, and restricted interest	1,020,214	80,192	248,574		1,268,788	80,192
General Revenue:						
Property tax levied for:						
General purposes	2,039,286	1,925,962			2,039,286	1,925,962
Employee benefits	888,355	710,598			888,355	710,598
Debt service	300,997	291,309			300,997	291,309
Tax increment financing	510,733	542,506			510,733	542,506
Other taxes	1,496,467	1,199,479			1,496,467	1,199,479
Unrestricted investment earnings	23,515	76,353	45,208	91,863	68,723	168,216
Miscellaneous	295,821	279,649	203,955	87,000	499,776	366,649
Transfers	295,935	(2,391,353)	(472,300)	2,239,216	(176,365)	(152,137)
Total Revenue	<u>9,833,532</u>	<u>5,521,983</u>	<u>9,523,581</u>	<u>11,125,129</u>	<u>19,357,113</u>	<u>16,647,112</u>
Program Expenses						
Public safety	2,369,419	2,232,311			2,369,419	2,232,311
Public works	1,824,359	1,614,841			1,824,359	1,614,841
Health and social services	5,464	5,984			5,464	5,984
Culture and recreation	2,101,998	1,924,846			2,101,998	1,924,846
Community and economic development	463,340	622,267			463,340	622,267
General government	411,478	435,918			411,478	435,918
Capital projects	457,154	109,764			457,154	109,764
Interest on long-term debt	1,064,946	946,484			1,064,946	946,484
Water			2,788,816	2,552,527	2,788,816	2,552,527
Wastewater			2,351,073	1,924,910	2,351,073	1,924,910
Landfill			437,938	427,520	437,938	427,520
Storm water			230,220	224,291	230,220	224,291
King's Pointe			4,448,515	4,593,156	4,448,515	4,593,156
Total Expenses	<u>8,698,158</u>	<u>7,892,415</u>	<u>10,256,562</u>	<u>9,722,404</u>	<u>18,954,720</u>	<u>17,614,819</u>
Change in net assets	1,135,374	(2,370,432)	(732,981)	1,402,725	402,393	(967,707)
Net assets - beginning of year	<u>5,996,738</u>	<u>8,367,170</u>	<u>33,279,397</u>	<u>31,876,672</u>	<u>39,276,135</u>	<u>40,243,842</u>
Net Assets - End of Year	<u>\$7,132,112</u>	<u>\$5,996,738</u>	<u>\$32,546,416</u>	<u>\$33,279,397</u>	<u>\$39,678,528</u>	<u>\$39,276,135</u>

The City's net assets of governmental activities increased approximately \$1,135,000 during the year. Revenues other than transfers for governmental activities increased approximately \$1,624,000 from the prior year, with capital grants, contributions and restricted interest increasing approximately \$940,000 due to grants received for campground improvements and other projects. The City increased property tax rates for fiscal 2011 approximately 4.1%.

The cost of all governmental activities this year was approximately \$8.7 million compared to approximately \$7.9 million last year. However, as shown in the Statement of Activities on pages 13 and 14, the amount taxpayers ultimately financed for these activities was only \$4.7 million because some of the cost was paid by those directly benefited from the programs (\$1.7 million)

or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.3 million). The City paid for the remaining \$4.7 million “public benefit” portion of governmental activities with taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

The City’s net assets of business-type activities decreased approximately \$733,000 during the year. Revenues other than transfers for business-type activities increased approximately \$1,100,000 from the prior year while total expenses were approximately \$535,000 more than the prior year.

Individual Major Fund Analysis

Governmental Fund Highlights

As the City of Storm Lake completed the year, its governmental funds reported a combined fund balance of approximately \$3,476,000, a decrease of approximately \$544,000 from last year’s total of approximately \$4,020,000. The changes in fund balances of the major governmental funds from the prior year are described below.

The General Fund reported an increase of approximately \$141,000 in fund balance from the prior year to approximately \$1,169,000. The Capital Projects fund balance decreased by approximately \$492,000 from the prior year to approximately \$635,000. The Tax Increment Financing fund balance decreased by approximately \$225,000 from the prior year to approximately \$17,000. The other major fund balances increased by approximately \$86,000 from the prior year to approximately \$981,000.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City’s water system, ended 2011 with a net asset balance of approximately \$6,048,000 compared to the prior year ending net asset balance of approximately \$5,840,000.

The Wastewater Fund, which accounts for the operation and maintenance of the City’s wastewater treatment and sanitary sewer system, ended 2011 with a net asset balance of approximately \$4,992,000 compared to the prior year ending net assets balance of approximately \$5,212,000.

The King’s Pointe Fund, which accounts for the operation and maintenance of King’s Pointe Resort, ended 2011 with a net asset balance of approximately \$20,219,000 compared to the prior year ending net asset balance of approximately \$21,011,000.

The other major proprietary funds ended 2011 with net asset balance of approximately \$1,288,000 compared to the prior year ending net assets balance of approximately \$1,228,000.

The Internal Service Funds are used by management to charge the cost of employee health benefits, technology purchases, and fleet purchases to the individual funds. The net assets of the Internal Service Fund increased by approximately \$66,000 to approximately \$995,000.

Budgetary Highlights

Over the course of the year, the City amended its budget twice. The amendments were needed to cover additional expenditures primarily within the public safety, public works, culture and recreation, community and economic development, capital projects, and business-type activities functions.

The City's cash basis receipts were approximately \$1.5 million less than budgeted. However, total cash basis disbursements were approximately \$3.0 million less than budgeted. During the year ended June 30, 2011, budgeted amounts were not exceeded by any city function area.

The combined tax levy for the City of Storm Lake in fiscal year 2011 increased from \$13.09414 to \$13.63149 per thousand. The employee benefits levy increased \$0.5737 per thousand, or \$181,115 to cover costs related to the City's health insurance plan and the increased contribution for the Municipal Fire and Police Retirement System. The combined effect of the City's tax levy and the change in residential rollback on a \$100,000 home was an increase of \$43 a year.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals, and other infrastructure. Capital assets for governmental activities totaled approximately \$23,300,000 (net of accumulated depreciation) at June 30, 2011. Capital assets for business-type activities totaled approximately \$34,100,000 (net of accumulated depreciation) at June 30, 2011. See Note 4 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the Lake Avenue and Vilas Road projects and Sunrise Park Campground renovation and cottage construction.

For business-type activities, major capital outlays included water utility construction in the McKenna and Bargloff additions.

Construction in progress at June 30, 2011 for governmental activities consists primarily of the Vestal, Vilas, and Bargloff street projects.

Construction in progress at June 30, 2011 for business-type activities consists of water utility construction in the Bargloff addition.

Long-Term Debt

At June 30, 2011, the City had \$20,460,000 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$7,512,000 at June 30, 2011.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. At June 30, 2011, the City was at 81% of its constitutional debt limit of approximately \$20,760,000 with a computed outstanding balance of \$16,885,000. While the total general obligation debt outstanding exceeds this amount, certain general obligation bonds include annual appropriation terms. The annual appropriation amount is the principal and interest due in the next year, and only this amount is required to be included in the computation of the statutory debt limit.

Additional information about the City's long-term debt is presented in Note 6 to the financial statements.

Economic Factors Bearing on the City's Future

Storm Lake is a growing community with a stable and growing economy fueled by the farming industry with new developments in the tourism market as part of an attempt to diversify the economic base of the community. The community has continued to see growth over the past several years. Typically this growth has been centered in community facilities including educational and health industries; but starting in 2011, growth has also been seen in the commercial and industrial sectors.

Storm Lake is also actively expanding its tax base through annexation and the creation of Tax Increment Financial districts that facilitate the growth of commercial and industrial development within the community. Additionally, there is wide interest in housing within the community, the first that has been seen in a number of years. This interest in housing could result in housing developments starting in 2012 and continuing for a few years with a number of housing units serving a workforce population up to higher end housing needs.

Other revenue generators for the City have also shown growth over the past few years and that growth appears to be continuing to move forward. These indicators include growth in Local Option Sales Tax revenues and Hotel/Motel Tax revenues.

Downtown remains a stable economic force within the community and growth in the public sector is expected to continue over the short term. Growth in the private sector in all segments (housing, commercial, and industrial) are trending up and could potentially see large growth within the next 24 months based on current indicators.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact the City Clerk, 620 Erie Street, City of Storm Lake, Iowa by phone 712-732-8000 or by email at Justin@stormlake.org.

BASIC FINANCIAL STATEMENTS

CITY OF STORM LAKE
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,326,241	\$ 4,868,441	\$ 9,194,682
Receivables:			
Property taxes:			
Delinquent	49,704		49,704
Succeeding year	3,447,600		3,447,600
Tax increment financing:			
Delinquent	2,920		2,920
Succeeding year	561,600		561,600
Accounts	166,834	1,212,713	1,379,547
Accrued interest		2,550	2,550
Due from other governments	124,197	181,763	305,960
Inventories and prepaids	199,631	235,564	435,195
Restricted assets:			
Cash and cash equivalents	6,350	668,123	674,473
Pledges receivable	100,000		100,000
Unamortized loan fees		62,861	62,861
Unamortized bond issue costs	101,183		101,183
Capital assets - net of accumulated depreciation ..	<u>23,317,274</u>	<u>34,139,666</u>	<u>57,456,940</u>
 TOTAL ASSETS	 <u>\$32,403,534</u>	 <u>\$41,371,681</u>	 <u>\$73,775,215</u>

CITY OF STORM LAKE
STATEMENT OF NET ASSETS - Continued
JUNE 30, 2011

LIABILITIES AND NET ASSETS

	Governmental Activities	Business Type Activities	Total
LIABILITIES:			
Accounts payable	\$ 234,331	\$ 688,320	\$ 922,651
Accrued interest payable	83,625	17,833	101,458
Accrued wages and benefits	346,575	183,518	530,093
Accrued expenses	110,491	397,608	508,099
Payable from restricted assets		77,986	77,986
Deferred revenue:			
Succeeding year property taxes	3,447,600		3,447,600
Succeeding year tax increment financing	561,600		561,600
Other		27,000	27,000
Non current liabilities:			
Due within one year	755,000	401,000	1,156,000
Due in more than one year	19,732,200	7,032,000	26,764,200
TOTAL LIABILITIES	<u>25,271,422</u>	<u>8,825,265</u>	<u>34,096,687</u>
NET ASSETS:			
Invested in capital assets - net of related debt ...	2,857,274	26,706,666	29,563,940
Restricted for:			
Roads	382,090		382,090
Debt service	738,581	590,137	1,328,718
Capital improvements	1,082,913		1,082,913
Other purposes	109,950		109,950
Unrestricted	1,961,304	5,249,613	7,210,917
TOTAL NET ASSETS	<u>7,132,112</u>	<u>32,546,416</u>	<u>39,678,528</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$32,403,534</u>	 <u>\$41,371,681</u>	 <u>\$73,775,215</u>

CITY OF STORM LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS:				
GOVERNMENTAL ACTIVITIES:				
Public safety	\$ 2,369,419	\$ 138,736		
Public works	1,824,359	202,719	\$ 984,893	
Health and social services	5,464			
Culture and recreation	2,101,998	851,683		\$1,020,214
Community and economic development	463,340	85,351	260,977	
General government	411,478	375,324		
Capital projects	457,154		62,526	
Interest on long-term debt	<u>1,064,946</u>			
TOTAL GOVERNMENTAL ACTIVITIES	<u>8,698,158</u>	<u>1,653,813</u>	<u>1,308,396</u>	<u>1,020,214</u>
BUSINESS-TYPE ACTIVITIES:				
Water	2,788,816	2,904,238		38,379
Wastewater	2,351,073	1,900,521		210,195
Lodge	4,448,515	3,937,204		
Other	<u>668,158</u>	<u>756,181</u>		
TOTAL BUSINESS-TYPE ACTIVITIES	<u>10,256,562</u>	<u>9,498,144</u>		<u>248,574</u>
TOTAL	<u>\$18,954,720</u>	<u>\$11,151,957</u>	<u>\$1,308,396</u>	<u>\$1,268,788</u>
GENERAL REVENUES:				
Taxes				
Property taxes levied for general purposes				
Tax increment financing taxes				
Other taxes				
Investment earnings				
Miscellaneous				
TOTAL GENERAL REVENUES				
CHANGE IN NET ASSETS BEFORE OTHER FINANCING SOURCES (USES)				
OTHER FINANCING SOURCES (USES):				
Transfers in (out)				
TOTAL OTHER FINANCING SOURCES (USES)				
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING OF YEAR ...				
NET ASSETS - END OF YEAR				

Exhibit B

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (2,230,683)		\$ (2,230,683)
(636,747)		(636,747)
(5,464)		(5,464)
(230,101)		(230,101)
(117,012)		(117,012)
(36,154)		(36,154)
(394,628)		(394,628)
<u>(1,064,946)</u>		<u>(1,064,946)</u>
<u>(4,715,735)</u>		<u>(4,715,735)</u>
	\$ 153,801	153,801
	(240,357)	(240,357)
	(511,311)	(511,311)
	<u>88,023</u>	<u>88,023</u>
	<u>(509,844)</u>	<u>(509,844)</u>
<u>(4,715,735)</u>	<u>(509,844)</u>	<u>(5,225,579)</u>
3,228,638		3,228,638
510,733		510,733
1,496,467		1,496,467
23,515	45,208	68,723
<u>295,821</u>	<u>203,955</u>	<u>499,776</u>
<u>5,555,174</u>	<u>249,163</u>	<u>5,804,337</u>
<u>839,439</u>	<u>(260,681)</u>	<u>578,758</u>
<u>295,935</u>	<u>(472,300)</u>	<u>(176,365)</u>
<u>295,935</u>	<u>(472,300)</u>	<u>(176,365)</u>
1,135,374	(732,981)	402,393
<u>5,996,738</u>	<u>33,279,397</u>	<u>39,276,135</u>
<u>\$ 7,132,112</u>	<u>\$32,546,416</u>	<u>\$39,678,528</u>

CITY OF STORM LAKE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

ASSETS

	<u>General</u>	<u>Special Revenue</u>		
		<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Special Levy</u>
Cash and cash equivalents	\$ 1,142,885	\$ 397,672	\$ 344,221	\$ (5,864)
Receivables:				
Property tax:				
Delinquent	31,270	-	-	14,554
Succeeding year	2,142,400	-	-	910,500
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	47,681	-	-	-
Accrued interest	-	-	-	-
Pledges.....	-	-	-	-
Due from other governments	37,961	-	86,236	-
Due from other funds	70,574	-	-	-
Inventories	44,794	2,193	-	-
Prepaid expenses	8,492	-	-	92,196
TOTAL ASSETS	\$ 3,526,057	\$ 399,865	\$ 430,457	\$ 1,011,386

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 23,757	\$ 12,175	\$ -	\$ -
Salaries and benefits payable	55,000	5,600	-	-
Accrued liabilities.....	27,306	-	-	-
Due to other funds	108,876	-	-	-
Deferred revenue:				
Succeeding year property tax	2,142,400	-	-	910,500
Succeeding year tax increment financing.....	-	-	-	-
Other	-	-	-	-
TOTAL LIABILITIES	2,357,339	17,775	-	910,500
FUND BALANCES:				
Nonspendable:				
Prepaid expenditures	-	-	-	92,196
Other	-	-	-	-
Restricted:				
Streets	-	382,090	-	-
Capital improvements	-	-	430,457	-
Debt service	-	-	-	-
Other purposes	6,350	-	-	8,690
Unassigned	1,162,368	-	-	-
TOTAL FUND BALANCES	1,168,718	382,090	430,457	100,886
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,526,057	\$ 399,865	\$ 430,457	\$ 1,011,386

See Notes to Financial Statements

EXHIBIT C

<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 31,560	\$ 64,076	\$ 678,313	\$ 616,812	\$ 3,269,675
-	3,880	-	-	49,704
-	324,700	-	70,000	3,447,600
2,920	-	-	-	2,920
561,600	-	-	-	561,600
-	-	105,352	13,801	166,834
-	-	-	-	-
-	-	100,000	-	100,000
-	-	-	-	124,197
-	-	-	-	70,574
-	-	-	-	46,987
-	-	-	42,726	143,414
<u>\$ 596,080</u>	<u>\$ 392,656</u>	<u>\$ 883,665</u>	<u>\$ 743,339</u>	<u>\$ 7,983,505</u>
\$ 17,011	\$ -	\$ 148,678	\$ -	\$ 201,621
-	-	-	-	60,600
-	-	-	-	27,306
-	-	-	-	108,876
-	324,700	-	70,000	3,447,600
561,600	-	-	-	561,600
-	-	100,000	-	100,000
<u>578,611</u>	<u>324,700</u>	<u>248,678</u>	<u>70,000</u>	<u>4,507,603</u>
-	-	-	-	92,196
-	-	-	2,714	2,714
-	-	-	-	382,090
17,469	-	634,987	-	1,082,913
-	67,956	-	670,625	738,581
-	-	-	-	15,040
-	-	-	-	1,162,368
<u>17,469</u>	<u>67,956</u>	<u>634,987</u>	<u>673,339</u>	<u>3,475,902</u>
<u>\$ 596,080</u>	<u>\$ 392,656</u>	<u>\$ 883,665</u>	<u>\$ 743,339</u>	<u>\$ 7,983,505</u>

See Notes to Financial Statements

CITY OF STORM LAKE
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

TOTAL GOVERNMENTAL FUND BALANCES PER EXHIBIT C	\$ 3,475,902
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
Certain receivables are not available financial resources and, therefore, are not reported as assets in governmental funds.	100,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	23,317,274
Bond issue costs are not available to pay current period expenditures and, therefore, are deferred in the funds.	101,183
The Internal Service Fund is used by management to charge the cost of employee health benefits and fleet purchases to the individual funds. The assets of the Internal Service Fund are included in governmental activities in the statement of net assets.	994,553
Long-term liabilities, including bonds payable, compensated absences, other postemployment benefits payable, and accrued interest are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(20,856,800)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A	<u>\$ 7,132,112</u>

CITY OF STORM LAKE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

		Special Revenue		
		Road	Local	
	General	Use Tax	Option	Special
			Sales Tax	Levy
REVENUES:				
Property tax	\$ 1,972,848	\$ -	\$ -	\$ 888,355
Tax increment financing.....	-	-	-	-
Other city taxes	342,924	-	1,100,060	38,321
Intergovernmental	277,338	929,072	-	-
Licenses and permits	199,614	-	-	-
Charges for service	1,192,382	-	-	-
Use of money and property	196,572	-	35	-
Miscellaneous	125,678	4,997	-	3,425
TOTAL REVENUES	<u>4,307,356</u>	<u>934,069</u>	<u>1,100,095</u>	<u>930,101</u>
EXPENDITURES:				
Operating:				
Public safety	1,751,138	-	-	453,239
Public works	247,175	576,163	-	127,831
Health and social service.....	5,464	-	-	-
Culture and recreation	1,439,515	-	-	147,021
Community and economic development...	437,986	-	-	25,111
General government	217,474	-	-	38,022
Debt service	-	-	-	-
Capital projects	-	-	-	-
TOTAL EXPENDITURES	<u>4,098,752</u>	<u>576,163</u>	<u>-</u>	<u>791,224</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>208,604</u>	<u>357,906</u>	<u>1,100,095</u>	<u>138,877</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	81,223	-	-	-
Operating transfers out	(149,064)	(314,872)	(1,015,329)	(176,365)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(67,841)</u>	<u>(314,872)</u>	<u>(1,015,329)</u>	<u>(176,365)</u>
NET CHANGE IN FUND BALANCES	140,763	43,034	84,766	(37,488)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>1,027,955</u>	<u>339,056</u>	<u>345,691</u>	<u>138,374</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,168,718</u>	<u>\$ 382,090</u>	<u>\$ 430,457</u>	<u>\$ 100,886</u>

See Notes to Financial Statements

EXHIBIT E

<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 300,997	\$ -	\$ 66,438	\$ 3,228,638
510,733	-	-	-	510,733
-	12,291	-	2,871	1,496,467
-	-	1,127,337	4,306	2,338,053
-	-	-	-	199,614
-	-	-	-	1,192,382
-	-	11,982	6,516	215,105
12	-	172,474	62,957	369,543
<u>510,745</u>	<u>313,288</u>	<u>1,311,793</u>	<u>143,088</u>	<u>9,550,535</u>
-	-	-	96,741	2,301,118
277,815	-	-	8,953	1,237,937
-	-	-	-	5,464
-	-	-	8,301	1,594,837
-	-	-	243	463,340
-	-	-	83,053	338,549
-	1,764,130	-	-	1,764,130
-	-	2,685,676	-	2,685,676
<u>277,815</u>	<u>1,764,130</u>	<u>2,685,676</u>	<u>197,291</u>	<u>10,391,051</u>
<u>232,930</u>	<u>(1,450,842)</u>	<u>(1,373,883)</u>	<u>(54,203)</u>	<u>(840,516)</u>
-	1,446,992	1,039,075	-	2,567,290
(458,225)	-	(157,500)	-	(2,271,355)
<u>(458,225)</u>	<u>1,446,992</u>	<u>881,575</u>	<u>-</u>	<u>295,935</u>
(225,295)	(3,850)	(492,308)	(54,203)	(544,581)
<u>242,764</u>	<u>71,806</u>	<u>1,127,295</u>	<u>727,542</u>	<u>4,020,483</u>
<u>\$ 17,469</u>	<u>\$ 67,956</u>	<u>\$ 634,987</u>	<u>\$ 673,339</u>	<u>\$ 3,475,902</u>

See Notes to Financial Statements

CITY OF STORM LAKE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS PER EXHIBIT E	\$ (544,581)
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN
 THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures were less than depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,235,155	
Depreciation expense	<u>(1,262,256)</u>	972,899

Because some revenue from pledge contributions will not be collected for several months after the City's year-end, it is not considered available revenue and has been deferred in the governmental funds	(1,500)
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The Internal Service Fund is used by management to charge the cost of employee health benefits and fleet purchases to the individual funds. The change in net assets of the Internal Service Fund is included in governmental activities.	65,867
--	--------

Bond issue costs are capitalized and amortized on the statement of net assets but expensed in the governmental funds.	(6,633)
--	---------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	690,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, with the change from the prior year amounts as follows:

Compensated absences	(24,824)	
Other postemployment benefits	(13,600)	
Interest on long-term debt	<u>9,183</u>	(29,241)

Transactions with funds, which are business type activities, are not included in government activities in the statements of activities.	<u>(11,437)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES PER EXHIBIT B	<u>\$ 1,135,374</u>
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CITY OF STORM LAKE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

ASSETS

	Enterprise Funds		
	<u>Water</u>	<u>Wastewater</u>	<u>King's Pointe</u>
Cash and cash equivalents	\$ 1,431,874	\$ 1,356,471	\$ 1,181,245
Receivables:			
Customer accounts and unbilled usage	497,200	295,900	307,913
Accrued interest	1,350	1,200	-
Due from other governments	-	181,763	-
Due from other funds	-	-	211,876
Inventories	28,121	-	33,570
Prepaid expenses	48,245	46,074	79,554
Restricted cash and cash equivalents.....	153,687	509,378	-
Capital assets.....	9,733,084	4,295,889	19,230,831
Other assets.....	48,438	5,798	-
TOTAL ASSETS	<u>\$ 11,941,999</u>	<u>\$ 6,692,473</u>	<u>\$ 21,044,989</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 258,833	\$ 199,607	\$ 229,880
Salaries and benefits payable	8,000	7,000	89,518
Accrued liabilities.....	-	-	435,910
Customer deposits payable from restricted assets	77,986	-	-
Due to other funds	103,000	-	70,574
Compensated absences.....	45,000	34,000	-
Interest payable.....	13,402	2,893	-
Revenue notes payable - short-term.....	343,000	27,000	-
Revenue notes payable - long-term.....	5,018,000	1,430,000	-
Deferred revenue:			
Other	27,000	-	-
TOTAL LIABILITIES	<u>5,894,221</u>	<u>1,700,500</u>	<u>825,882</u>

NET ASSETS:

Invested in capital assets - net of related debt	4,372,084	2,838,889	19,230,831
Restricted for revenue bond retirement	75,701	509,378	-
Unrestricted	1,599,993	1,643,706	988,276
TOTAL NET ASSETS	<u>6,047,778</u>	<u>4,991,973</u>	<u>20,219,107</u>

**TOTAL LIABILITIES AND
NET ASSETS**

<u>\$ 11,941,999</u>	<u>\$ 6,692,473</u>	<u>\$ 21,044,989</u>
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See Notes to Financial Statements

EXHIBIT G

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 188,992	\$ 709,859	\$ 4,868,441	\$ 1,062,916
69,000	42,700	1,212,713	-
-	-	2,550	-
-	-	181,763	-
-	-	211,876	-
-	-	61,691	9,230
-	-	173,873	-
-	5,058	668,123	-
-	879,862	34,139,666	-
-	8,625	62,861	-
<u>\$ 257,992</u>	<u>\$ 1,646,104</u>	<u>\$ 41,583,557</u>	<u>\$ 1,072,146</u>
\$ -	\$ -	\$ 688,320	\$ 32,710
-	-	104,518	-
-	-	435,910	-
-	-	77,986	-
-	-	173,574	-
-	-	79,000	-
-	1,538	17,833	-
-	31,000	401,000	-
-	584,000	7,032,000	-
-	-	27,000	44,883
-	616,538	9,037,141	77,593
-	264,862	26,706,666	-
-	5,058	590,137	-
257,992	759,646	5,249,613	994,553
<u>257,992</u>	<u>1,029,566</u>	<u>32,546,416</u>	<u>994,553</u>
<u>\$ 257,992</u>	<u>\$ 1,646,104</u>	<u>\$ 41,583,557</u>	<u>\$ 1,072,146</u>

See Notes to Financial Statements

CITY OF STORM LAKE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	<u>Water</u>	<u>Wastewater</u>	<u>King's Pointe</u>
OPERATING REVENUES:			
Charges for service	\$ 2,904,238	\$ 1,900,521	\$ 3,937,204
Miscellaneous	68,156	37,513	86,113
TOTAL OPERATING REVENUES	<u>2,972,394</u>	<u>1,938,034</u>	<u>4,023,317</u>
OPERATING EXPENSES:			
Business type activities:			
Cost of sales and services	1,948,385	1,808,008	3,656,042
Depreciation and amortization.....	653,652	507,642	792,473
TOTAL OPERATING EXPENSES	<u>2,602,037</u>	<u>2,315,650</u>	<u>4,448,515</u>
OPERATING INCOME (LOSS)	<u>370,357</u>	<u>(377,616)</u>	<u>(425,198)</u>
NON-OPERATING REVENUES (EXPENSES):			
Intergovernmental.....	38,379	210,195	-
Interest income	16,109	14,298	8,634
Interest expense	(186,779)	(35,423)	-
NET NON-OPERATING REVENUES (EXPENSES)	<u>(132,291)</u>	<u>189,070</u>	<u>8,634</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>238,066</u>	<u>(188,546)</u>	<u>(416,564)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	6,408	6,408	417,154
Operating transfers out	(37,125)	(38,098)	(792,047)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,717)</u>	<u>(31,690)</u>	<u>(374,893)</u>
CHANGE IN NET ASSETS	207,349	(220,236)	(791,457)
NET ASSETS - BEGINNING OF YEAR	<u>5,840,429</u>	<u>5,212,209</u>	<u>21,010,564</u>
NET ASSETS - END OF YEAR	<u>\$ 6,047,778</u>	<u>\$ 4,991,973</u>	<u>\$ 20,219,107</u>

See Notes to Financial Statements

EXHIBIT H

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 470,856	\$ 285,325	\$ 9,498,144	\$ 774,198
532	204	192,518	86,955
<u>471,388</u>	<u>285,529</u>	<u>9,690,662</u>	<u>861,153</u>
437,938	154,155	8,004,528	801,860
-	55,375	2,009,142	-
<u>437,938</u>	<u>209,530</u>	<u>10,013,670</u>	<u>801,860</u>
<u>33,450</u>	<u>75,999</u>	<u>(323,008)</u>	<u>59,293</u>
-	-	248,574	-
1,022	5,145	45,208	6,574
-	(20,690)	(242,892)	-
<u>1,022</u>	<u>(15,545)</u>	<u>50,890</u>	<u>6,574</u>
<u>34,472</u>	<u>60,454</u>	<u>(272,118)</u>	<u>65,867</u>
-	-	429,970	-
(35,000)	-	(902,270)	-
<u>(35,000)</u>	<u>-</u>	<u>(472,300)</u>	<u>-</u>
(528)	60,454	(744,418)	65,867
<u>258,520</u>	<u>969,112</u>	<u>33,290,834</u>	<u>928,686</u>
<u>\$ 257,992</u>	<u>\$ 1,029,566</u>	<u>\$ 32,546,416</u>	<u>\$ 994,553</u>

See Notes to Financial Statements

CITY OF STORM LAKE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>King's Pointe</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$2,815,281	\$1,893,562	\$4,017,124
Receipts from operating funds			
Cash paid for personal services	(276,596)	(234,594)	(1,039,778)
Cash paid to suppliers	<u>(1,550,453)</u>	<u>(1,426,332)</u>	<u>(2,648,528)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>988,232</u>	<u>232,636</u>	<u>328,818</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances to other funds	(37,125)	(219,861)	(839,033)
Advances from other funds	<u>6,408</u>	<u>6,408</u>	<u>437,275</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(30,717)</u>	<u>(213,453)</u>	<u>(401,758)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(1,587,037)	(239,923)	(218,581)
Proceeds from capital grants	38,379	210,195	
Repayment of revenue bonds	(306,000)	(26,000)	
Interest payments	<u>(187,612)</u>	<u>(35,490)</u>	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,042,270)</u>	<u>(91,218)</u>	<u>(218,581)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	<u>16,373</u>	<u>14,358</u>	<u>8,634</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>16,373</u>	<u>14,358</u>	<u>8,634</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,068,382)	(57,677)	(282,887)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,653,943</u>	<u>1,923,526</u>	<u>1,464,132</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,585,561</u>	<u>\$1,865,849</u>	<u>\$1,181,245</u>

EXHIBIT I

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$462,596	\$279,600	\$9,468,163	\$ 861,153
(15,457)	(60,881)	(1,627,306)	
<u>(422,481)</u>	<u>(88,759)</u>	<u>(6,136,553)</u>	<u>(757,712)</u>
<u>24,658</u>	<u>129,960</u>	<u>1,704,304</u>	<u>103,441</u>
(35,000)		(1,131,019)	
<u> </u>	<u> </u>	<u>450,091</u>	<u> </u>
<u>(35,000)</u>	<u> </u>	<u>(680,928)</u>	<u> </u>
		(2,045,541)	
		248,574	
	(30,000)	(362,000)	
<u> </u>	<u>(20,962)</u>	<u>(244,064)</u>	<u> </u>
<u> </u>	<u>(50,962)</u>	<u>(2,403,031)</u>	<u> </u>
<u>1,022</u>	<u>5,145</u>	<u>45,532</u>	<u>7,522</u>
<u>1,022</u>	<u>5,145</u>	<u>45,532</u>	<u>7,522</u>
(9,320)	84,143	(1,334,123)	110,963
<u>198,312</u>	<u>630,774</u>	<u>6,870,687</u>	<u>951,953</u>
<u>\$188,992</u>	<u>\$714,917</u>	<u>\$5,536,564</u>	<u>\$1,062,916</u>

CITY OF STORM LAKE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>King's Pointe</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 370,357	\$ (377,616)	\$ (425,198)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	649,902	507,279	792,473
Amortization	3,750	363	
Increase in accounts receivable and unbilled usage	(168,956)	(44,472)	(6,193)
Decrease in inventories	1,560		3,907
(Increase) decrease in prepaid expenses	400	400	(23,011)
Increase in accounts payable	113,836	146,762	82,898
Increase (decrease) in salaries and benefits payable	930	(4,260)	(11,389)
Increase in incurred and unpaid claims	11,843		
Decrease accrued expenses			(84,669)
Increase in compensated absences	<u>4,610</u>	<u>4,180</u>	<u></u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 988,232</u>	<u>\$ 232,636</u>	<u>\$ 328,818</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS			
Cash and cash equivalents	\$1,431,874	\$1,356,471	\$1,181,245
Restricted cash and cash equivalents	<u>153,687</u>	<u>509,378</u>	<u></u>
	<u>\$1,585,561</u>	<u>\$1,865,849</u>	<u>\$1,181,245</u>

EXHIBIT I

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 33,450	\$ 75,999	\$ (323,008)	\$ 59,293
	55,375	2,005,029	
	575	4,688	
(8,792)	(5,929)	(234,342)	
	3,940	9,407	
		(22,211)	
		343,496	32,710
		(14,719)	
		11,843	11,438
		(84,669)	
		8,790	
<u>\$ 24,658</u>	<u>\$ 129,960</u>	<u>\$1,704,304</u>	<u>\$ 103,441</u>
\$188,992	\$ 709,859	\$4,868,441	\$1,062,916
	5,058	668,123	
<u>\$188,992</u>	<u>\$ 714,917</u>	<u>\$5,536,564</u>	<u>\$1,062,916</u>

CITY OF STORM LAKE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>Pension Trust</u>	<u>Agency</u>	
		Lake	
	<u>Police/Fire</u>	<u>Improvements</u>	<u>Commission</u>
		<u>Commission</u>	<u>Drainage</u>
ASSETS:			
Cash and cash equivalents	\$ -	\$ 1,982,737	\$ (109,676)
Interest receivable	-	-	-
Due from other governments	-	165,590	111,947
 TOTAL ASSETS	 \$ -	 \$ 2,148,327	 \$ 2,271
 LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable	\$ -	\$ 25,608	\$ 2,271
Due to other governments	-	2,122,719	-
 TOTAL LIABILITIES	 -	 2,148,327	 2,271
 NET ASSETS			
Reserved for pensions	-	-	-
 TOTAL LIABILITIES AND NET ASSETS	 \$ -	 \$ 2,148,327	 \$ 2,271

CITY OF STORM LAKE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Pension Trust</u>
	<u>Police/Fire</u>
ADDITIONS:	
Transfers in	\$ 176,365
DEDUCTIONS:	
Public safety	<u>176,365</u>
CHANGE IN NET ASSETS	-
NET ASSETS - BEGINNING OF YEAR	<u>-</u>
NET ASSETS - END OF YEAR	<u><u>\$ -</u></u>

CITY OF STORM LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Storm Lake, Iowa is a political subdivision of the State of Iowa located in Buena Vista County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Storm Lake provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, storm water, and landfill utilities for its citizens and owns and operates a hotel and indoor water park.

The financial statements of the City of Storm Lake have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units that are required to be included in these financial statements.

Jointly Governed Organizations - The City participates in a jointly governed organization agreement with the Buena Vista County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and cities.

The City's ongoing financial interest in the jointly governed organization consists of the operation of the landfill and other solid waste collection and disposal operations. The City collects landfill fees as a part of its regular utility billings. The Commission then bills the City quarterly for its operations. This fee is computed for each municipality on a per capita basis. For the year ended June 30, 2011, this fee totaled \$392,964.

Copies of the Commission's financial statements are available from the City Clerk at the City of Alta, or from the State Auditor's Office.

The City participates in a jointly governed organization agreement with the Lake Improvements Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The financial information for the Commission is reflected as an agency fund in these financial statements. The purpose of the Commission is to finance and effect a continued dredging of Lake Storm Lake.

Copies of the Commission's financial statements are available from the City Clerk at City of Storm Lake, 620 Erie Street, Storm Lake, IA 50588 or from the State Auditor's Office.

The City also participates in several jointly governed organizations for which the City is not financially accountable, or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Buena Vista County Assessor's Conference Board, Buena Vista County Emergency Management Commission, Buena Vista County Communications Commission, Joint E911 Service Board, Region V Drug Task Force, Storm Lake Chamber of Commerce, Storm Lake Area Development Corporation, Buena Vista County Foundation, Community Education, and Storm Lake Cemetery.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax revenue from general and emergency levies and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The *Road Use Tax Fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The *Local Option Sales Tax Fund* is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment, and community programs and services.

The *Special Levy Fund* is used to account for property tax levied to finance the payment of employee benefits.

The *Tax Increment Financing Fund* is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used for transfers to other funds to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The *Debt Service Fund* is used to account for property tax and other revenue to be used for the payment of interest and principal on the City's general long-term debt.

The *Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

Enterprise:

The *Water Fund* is used to account for the operation and maintenance of the City's water system.

The *Wastewater Fund* is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The *King's Pointe Fund* is used to account for the operation of a hotel facility and indoor water park.

The *Sanitation Fund* is used to account for the operation and maintenance of the City's solid waste collection system.

The *Storm Water Fund* is used to account for the operation and maintenance of the City's storm water system.

The City also reports the following additional proprietary fund:

The *Internal Service Funds* are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenue (shared revenue, grants, and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's Enterprise Funds is charges to customers for

sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Agency funds report, under the accrual basis of accounting, any assets and liabilities. Since agency funds have no equity, they do not have a measurement focus.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

E. Cash and Cash Equivalents

The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

F. Receivables and Payables

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2009 assessed property valuations, is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2010.

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants, and reimbursements from other governments.

G. Inventories and Prepaid Expenses

Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Prepaid expenses consist primarily of property and liability insurance payments paid in advance.

H. Restricted Assets

City's funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refunds to customers.

I. Interest Capitalized

Construction period interest for business-type activities is capitalized. For projects paid for with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year end. No amounts were capitalized in 2011.

J. Capital Assets

Capital assets, which include property, equipment and vehicles, and certain infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$5,000 and estimated useful lives in excess of two years.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	20 - 40 years
Equipment and vehicles	5 - 20 years
Infrastructure	20 years

Under current accounting standards, the City is not required to, and the City has chosen not to, retroactively capitalize infrastructure assets. However, infrastructure projects since 2004 are properly included in the government-wide financial statements. Because the infrastructure assets constructed prior to 2004 have not been capitalized, the debt related to infrastructure assets causes the reporting of capital assets net of related debt in the statement of net assets to be lower than it would be if the infrastructure were capitalized.

K. Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

L. Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivables and other receivables not collected within 60 days after year end. Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

M. Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Fund Equity

In the governmental fund financial statements, fund balances are classified as follows, when applicable:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Q. Subsequent Events

The City has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2011 is as follows:

	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
General Fund	\$ 70,574	\$108,876
Proprietary Funds:		
Water		103,000
King's Pointe	211,876	70,574
TOTAL	<u>\$282,450</u>	<u>\$282,450</u>

These balances result from interfund advances made to finance projects or enterprise operations. Repayments will be made as time deposits mature or enterprise operations become profitable.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 1,430,953			\$ 1,430,953
Construction in progress	<u>784,320</u>	<u>\$ 571,803</u>	<u>\$784,320</u>	<u>571,803</u>
Total capital assets not being depreciated	<u>2,215,273</u>	<u>571,803</u>	<u>784,320</u>	<u>2,002,756</u>
Capital assets being depreciated:				
Buildings	5,946,772	19,620		5,966,392
Improvements other than buildings .	13,634,741	1,887,253		15,521,994
Equipment and vehicles	4,723,763	76,302	66,345	4,733,720
Infrastructure, road network	<u>6,293,879</u>	<u>464,497</u>		<u>6,758,376</u>
Total capital assets being depreciated	<u>30,599,155</u>	<u>2,447,672</u>	<u>66,345</u>	<u>32,980,482</u>
Less accumulated depreciation for:				
Buildings	2,784,879	58,198		2,843,077
Improvements other than buildings .	3,620,400	633,896		4,254,296
Equipment and vehicles	2,976,299	232,244	66,345	3,142,198
Infrastructure, road network	<u>1,088,475</u>	<u>337,918</u>		<u>1,426,393</u>
Total accumulated depreciation	<u>10,470,053</u>	<u>1,262,256</u>	<u>66,345</u>	<u>11,665,964</u>
Net capital assets being depreciated	<u>20,129,102</u>	<u>1,185,416</u>		<u>21,314,518</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$22,344,375</u>	<u>\$1,757,219</u>	<u>\$784,320</u>	<u>\$23,317,274</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 171,200	\$ 217,851		\$ 389,051
Construction in progress	<u>259,894</u>	<u>1,376,527</u>	<u>\$259,894</u>	<u>1,376,527</u>
Total capital assets not being depreciated	<u>431,094</u>	<u>1,594,378</u>	<u>259,894</u>	<u>1,765,578</u>
Capital assets being depreciated:				
Buildings	29,703,166	27,435		29,730,601
Equipment and vehicles	2,754,306	231,218		2,985,524
Infrastructure, water and sewer network	<u>23,095,395</u>	<u>456,517</u>		<u>23,551,912</u>
Total capital assets being depreciated	<u>55,552,867</u>	<u>715,170</u>		<u>56,268,037</u>
Less accumulated depreciation for:				
Buildings	9,931,012	808,038		10,739,050
Equipment and vehicles	1,304,179	311,352		1,615,531
Infrastructure, water and sewer network	<u>10,649,616</u>	<u>889,752</u>		<u>11,539,368</u>
Total accumulated depreciation	<u>21,884,807</u>	<u>2,009,142</u>		<u>23,893,949</u>
Net capital assets being depreciated	<u>33,668,060</u>	<u>(1,293,972)</u>		<u>32,374,088</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	<u>\$34,099,154</u>	<u>\$ 300,406</u>	<u>\$259,894</u>	<u>\$34,139,666</u>

Depreciation was charged by the City as follows for the year ended June 30, 2011:

Governmental Activities:

Public safety	\$ 112,746
Public works	583,020
Culture and recreation	507,161
General government	<u>59,329</u>

Total Governmental Activities \$1,262,256

Business Type Activities:

Water	\$ 653,652
Wastewater	507,642
Storm water	55,375
King's Pointe	<u>792,473</u>

Total Business Type Activities \$2,009,142

5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
General	\$ 81,223	Special Revenue:	
		Local option sales tax	\$ 6,000
		Proprietary:	
		Water	37,125
		Wastewater	38,098
Debt Service	\$1,446,992	General	107,147
		Special Revenue:	
		Tax increment financing	143,878
		Local option sales tax	416,736
		Proprietary:	
		King's Pointe	779,231
Capital Projects	\$1,039,075	General	41,917
		Special Revenue:	
		Road use	314,872
		Local option sales tax	592,593
		Tax increment financing	54,693
		Proprietary:	
		Sanitation	35,000

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Proprietary:			
Water	\$ 6,408	Proprietary:	
		King's Pointe	\$ 6,408
Wastewater	\$ 6,408	Proprietary:	
		King's Pointe	6,408
King's Pointe	\$ 417,154	Special Revenue:	
		Tax increment financing	259,654
		Capital projects	157,500
Pension Trust:		Special Revenue:	
Police/Fire	\$ 176,365	Special levy	176,365

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

6. LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2011:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES:					
General obligation bonds/notes	\$21,150,000		\$690,000	\$20,460,000	\$ 755,000
Compensated absences	261,151	\$285,975	261,151	285,975	285,975
Net OPEB liability	13,600	13,600		27,200	
TOTALS	<u>\$21,424,751</u>	<u>\$299,575</u>	<u>\$951,151</u>	<u>\$20,773,175</u>	<u>\$1,040,975</u>
BUSINESS-TYPE ACTIVITIES:					
Revenue bonds	\$ 7,822,000		\$389,000	\$7,433,000	\$ 401,000
Compensated absences	70,210	\$ 79,000	70,210	79,000	79,000
TOTALS	<u>\$ 7,892,210</u>	<u>\$ 79,000</u>	<u>\$459,210</u>	<u>\$ 7,512,000</u>	<u>\$ 480,000</u>

Annual debt service requirements to maturity for general obligation bonds/notes and revenue bonds at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>General Obligation Bonds/Notes</u>		<u>Revenue Bonds/Notes</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 755,000	\$ 1,001,278	\$ 401,000	\$ 213,990	\$ 1,156,000	\$ 1,215,268
2013	825,000	970,109	413,000	201,960	1,238,000	1,172,069
2014	825,000	935,306	425,000	189,570	1,250,000	1,124,876
2015	875,000	899,525	1,338,000	158,820	2,213,000	1,058,345
2016	940,000	862,066	451,000	145,680	1,391,000	1,007,746
2017-2021	5,545,000	3,815,903	2,471,000	516,930	8,016,000	4,332,833
2022-2026	8,910,000	2,158,807	1,842,000	138,450	10,752,000	2,297,257
2027-2029	1,785,000	138,488	92,000	2,760	1,877,000	141,248
TOTALS	<u>\$20,460,000</u>	<u>\$10,781,482</u>	<u>\$7,433,000</u>	<u>\$1,568,160</u>	<u>\$27,893,000</u>	<u>\$12,349,642</u>

General Obligation Bonds/Notes

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with substantially equal amounts of principal plus interest maturing each year. General obligation bond debt service related to the \$5,400,000 bond issue in 2006 is subject to annual appropriation by the City Council. In accordance with the Code of Iowa, only that portion subject to the annual appropriation by the City Council is included in the computation of the statutory debt limit.

Details of general obligation bonds/notes payable at June 30, 2011 are as follows:

	<u>Year Issued</u>	<u>Issue Amount</u>	<u>Year Matures</u>	<u>Interest Rates</u>	<u>Annual Principal Payments</u>	<u>Outstanding Balance</u>
Essential corp. purpose	2005	\$5,600,000	2025	3.75% - 4.25%	\$185,000 - \$435,000	\$ 4,660,000
Urban renewal	2006	6,000,000	2025	5.25% - 5.70%	130,000 - 390,000 ¹	5,840,000
Urban renewal	2006	5,400,000	2026	4.00% - 4.75%	205,000 - 385,000	4,410,000
Urban renewal	2007	2,945,000	2027	5.45% - 5.65%	5,000 - 100,000 ²	2,945,000
Capital loan notes	2008	325,000	2013	4.25% - 4.50%	55,000 - 75,000	145,000
Capital loan notes	2010	2,500,000	2029	2.00% - 6.10%	40,000 - 200,000	<u>2,460,000</u>
Total						<u>\$20,460,000</u>

¹ One additional \$2,330,000 payment in 2025

² Payments begin in 2013. Additional annual payments of \$945,000 and \$1,215,000 in 2026 and 2027, respectively.

Revenue Bonds/Notes

The City issues bonds/notes where the government pledges income derived from the required or constructed assets to pay debt service. Details of revenue bonds/notes payable at June 30, 2011 are as follows:

	<u>Year Issued</u>	<u>Issue Amount</u>	<u>Year Matures</u>	<u>Interest Rates</u>	<u>Annual Principal Payments</u>	<u>Outstanding Balance</u>
Water revenue	2003	\$7,500,000	2024	3.0%	\$324,000 - \$490,000	\$ 5,361,000
Storm water revenue	2006	729,000	2027	3.0%	29,000 - 48,000	615,000
Wastewater revenue	2007	725,000	2027	3.0%	25,000 - 44,000	557,000
Wastewater revenue	2010	900,000	2014	3.0%	None ³	<u>900,000</u>
Total						<u>\$ 7,433,000</u>

³ One \$900,000 payment on December 1, 2014.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$7,500,000 in water revenue notes issued in August 2003. Proceeds from the notes provided financing for the construction of improvements to the water system. The notes are payable solely from water customer net revenues and are payable through 2024. Annual principal and interest payments on the notes are expected to require less than 60 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$6,553,290. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$506,378 and \$960,619, respectively.

The City has pledged future wastewater customer receipts, net of specified operating disbursements, to repay \$725,000 in wastewater revenue notes issued in April 2007. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 50 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$710,180. For the current year, principal and interest paid and total customer net receipts were \$61,490 and \$130,026, respectively.

The City has pledged future storm water customer receipts, net of specified operating disbursements, to repay \$729,000 in storm water revenue notes issued in October 2006. Proceeds from the notes provided financing for the construction of improvements to the storm water system. The notes are payable solely from storm water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 50 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$783,690. For the current year, principal and interest paid and total customer net receipts were \$49,350 and \$131,374, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c. Water user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2011, the City was in compliance with the revenue note provisions.

7. PENSION AND RETIREMENT BENEFITS

Municipal Fire and Police Retirement System

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution rates are established by state statute. The City's contributions to the Plan for the years ended June 30, 2011, 2010, and 2009 were \$176,365, \$152,137, and \$145,858, respectively, which met the required minimum contribution requirement for each year.

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$117,625, \$116,227, and \$112,051, respectively, equal to the required contributions for each year.

ICMA Retirement Plan

The Public Safety Director, City Administrator, and City Community Development Director are covered under the nationwide retirement plan offered by the International City Manager's Association (ICMA). Contributions required by the employer are 12% of the annual salary for the Public Safety Director, \$8,000 less the City's IPERS contribution per year for the City Administrator, and \$2,000 per year for the City Community Development Director.

The City's responsibility is limited to payment of contributions required by the established rates. The employer's contribution paid by the City for the year ended June 30, 2011 totaled \$18,814.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health plan which provides medical/prescription drug benefits for employees and retirees and their eligible dependents. There are 54 active and no retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug coverage is provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 13,600
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost	<u>13,600</u>
Contributions made	
Increase in net OPEB obligation	<u>13,600</u>
Net OPEB obligation - beginning of year	<u>13,600</u>
Net OPEB obligation - end of year	<u>\$ 27,200</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the City did not contribute to the retiree plan. No plan members are eligible for retiree benefits.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$13,600	0%	\$13,600
2011	\$13,600	0%	\$13,600

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was approximately \$85,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$85,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,250,000 and the ratio of the UAAL to covered payroll was 3.8%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on the 2004 United States Life Tables.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - A rate of 10 percent initially, reduced to an ultimate rate of 5.0 percent after six years, was used for the expected rate of increase in healthcare insurance premiums.

Health insurance premiums - 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

9. COMMITMENTS

The City has entered into construction contracts totaling approximately \$4,021,000 for street and water utility improvement projects. As of June 30, 2011, costs of approximately \$1,379,000 have been incurred on the projects. The remaining \$2,642,000 will be paid as work on the projects progresses.

The City has entered into an agreement for the operation and maintenance of the City's wastewater treatment facilities through June 2013, with the fee to be negotiated yearly. The fee for the year ending June 30, 2012 is \$81,179 per month.

The City has entered into an agreement for the operations and maintenance of the City's water and water treatment facilities through June 2013, with the fee to be negotiated yearly. The fee for the year ending June 30, 2012 is \$57,045.

The City has entered into an agreement for the management of the airport for the year ending June 30, 2012 for \$2,984 per month.

The City has entered into a Facility Management Agreement with Kinseth Hotel Corporation (Kinseth) to manage the King's Pointe Waterpark Resort through June 30, 2012, with annual one-year renewals thereafter. A base management fee will be paid at \$4,000 per month for five months of operation (July through September and May through June of the following calendar year).

The City has also entered into a Management Agreement with Kinseth to manage the King's Pointe Resort through June 30, 2012, with annual one-year renewals thereafter. A management fee will be paid at three percent of each month's gross revenues and twelve percent of the improvement in net available cash at each fiscal year end compared to the prior fiscal year end.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Effective August 1, 1983, the City adopted a plan of self-insurance for employee's health benefits. Deposits are made to the Employee Health Benefit Fund, an internal service fund of the City, to pay employee claims. An excess coverage insurance policy covers individual claims over \$20,000, or total group claims exceeding 125% of expected claims.

An actuarial study of the adequacy of reserves, rates, and financial condition of the Employee Health Benefit Fund was performed for the plan year January 1, 2010 to December 31, 2010. The study included census of covered members as of December 31, 2010, a summary of aggregate and specific excess loss reinsurance coverage, monthly claim expense information, a summary of revenue and expenses and review of the plan document summary description.

Following is a financial analysis of the plan for the year ended December 31, 2010. Included in this analysis is an estimate of the amount needed at the end of the plan year for incurred but not paid claims.

Net assets - January 1, 2010	\$ 600,759
Contributions received	553,755
Interest earned	5,896
Other sources of revenue	<u>2,615</u>
	<u>1,163,025</u>
Claims paid	299,222
Aggregate stop-loss premiums and other charges	<u>147,127</u>
	<u>446,349</u>
Net assets - December 31, 2011	716,676
Reserved for estimated incurred but unpaid claims	<u>44,883</u>
Unreserved Funds	<u>\$ 671,793</u>

11. DEFERRED COMPENSATION

The City offers its employees deferred compensation plans as allowed by Internal Revenue Code Section 457. City employees are allowed to defer a portion of the current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

The City has adopted GASB Statement 32 and does not report the assets of the plans on its balance sheet.

12. CONDUIT DEBT OBLIGATIONS

To provide for the construction of additions to the library, dormitories, and a recreation facility at Buena Vista University, the City has issued a series of Higher Education Facilities Revenue Bonds. In addition, the City issued Elderly Housing Revenue Bonds for the construction of dietary and maintenance facilities and an addition of a 38-unit independent living facility at Methodist Manor Retirement Community. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received by the university and the care facility. The bonds do not constitute a debt or pledge of the faith and credit of the City and, accordingly, have not been reported in the accompanying financial statements.

A summary of conduit debt obligations is as follows:

	Originally <u>Issued</u>	Date of <u>Issue</u>	Balance Outstanding <u>June 30, 2011</u>
Higher Education Facilities Revenue Bonds ..	\$7,630,000	5-24-00	\$5,105,000
Elderly Housing Revenue Bonds	4,565,000	6-01-07	\$4,165,000
Elderly Housing Revenue Bonds	5,325,000	10-01-03	\$4,575,000

13. LITIGATION

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. City officials believe the outcome of these matters will not have a material adverse effect on the City's financial statements.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the City entered into construction contracts for various improvement projects totaling approximately \$470,000. The City also purchased land and a building for approximately \$1,290,000 and sold land for \$270,000. Issuance was also approved for \$2,700,000 General Obligation Urban Renewal Bonds, \$200,000 Water Revenue Capital Loan Notes, Series 2011, \$680,000 Sewer Revenue Capital Loan Notes, Series 2011, and \$4,950,000 Senior Housing Revenue Bonds for the Methodist Manor Project.

15. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	<u>Special Revenue</u> <u>Senior Center</u>	<u>Dredging</u>
Balances June 30, 2010 - as previously reported	\$ 963,872	\$ 46,369	\$ 17,714
Change in fund type classification per implementation of GASB Statement No. 54	<u>64,083</u>	<u>(46,369)</u>	<u>(17,714)</u>
Balances July 1, 2010 - as restated	<u>\$1,027,955</u>	<u>\$</u>	<u>\$</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STORM LAKE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Net</u>
RECEIPTS:			
Property taxes	\$ 3,219,704		\$ 3,219,704
Tax increment financing collections	512,927		512,927
Other city taxes	1,487,206		1,487,206
Licenses and permits	269,426		269,426
Use of money and property	216,872	\$ 45,534	262,406
Intergovernmental	2,481,496	106,531	2,588,027
Charges for services	53,495	9,228,659	9,282,154
Special assessments			
Miscellaneous	<u>1,261,568</u>	<u>192,515</u>	<u>1,454,083</u>
TOTAL RECEIPTS	<u>9,502,694</u>	<u>9,573,239</u>	<u>19,075,933</u>
DISBURSEMENTS:			
Public safety	2,295,063		2,295,063
Public works	955,335		955,335
Health and social services	5,464		5,464
Culture and recreation	1,556,651		1,556,651
Community and economic development	728,880		728,880
General government	348,664		348,664
Debt service	1,764,129		1,764,129
Capital projects	2,536,998		2,536,998
Business-type activities		<u>10,435,063</u>	<u>10,435,063</u>
TOTAL DISBURSEMENTS	<u>10,191,184</u>	<u>10,435,063</u>	<u>20,626,247</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(688,490)	(861,824)	(1,550,314)
OTHER FINANCING SOURCES (USES)	<u>295,935</u>	<u>(472,300)</u>	<u>(176,365)</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	(392,555)	(1,334,124)	(1,726,679)
CASH BALANCES - BEGINNING OF YEAR	<u>3,662,230</u>	<u>6,870,688</u>	<u>10,532,918</u>
CASH BALANCES - END OF YEAR	<u>\$ 3,269,675</u>	<u>\$ 5,536,564</u>	<u>\$ 8,806,239</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
\$ 3,255,903	\$ 3,255,903	\$ (36,199)
514,496	514,496	(1,569)
1,335,841	1,674,111	(186,905)
152,100	168,800	100,626
166,620	166,620	95,786
2,673,493	3,538,204	(950,177)
10,426,788	10,899,721	(1,617,567)
<u>270,600</u>	<u>394,127</u>	<u>1,059,956</u>
<u>18,795,841</u>	<u>20,611,982</u>	<u>(1,536,049)</u>
2,404,231	2,565,231	270,168
914,963	1,040,963	85,628
9,500	9,500	4,036
1,382,127	1,632,127	75,476
526,054	806,654	77,774
378,768	378,768	30,104
1,767,895	1,767,895	3,766
3,094,423	4,068,423	1,531,425
<u>9,624,397</u>	<u>11,548,397</u>	<u>1,113,334</u>
<u>20,102,358</u>	<u>23,817,958</u>	<u>3,191,711</u>
(1,306,517)	(3,205,976)	1,655,662
<u>1,400,000</u>	<u>2,833,720</u>	<u>(3,010,085)</u>
93,483	(372,256)	<u>\$ (1,354,423)</u>
<u>8,852,617</u>	<u>8,852,617</u>	
<u>\$ 8,946,100</u>	<u>\$ 8,480,361</u>	

CITY OF STORM LAKE
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
REVENUES	\$ 9,502,694	\$ 47,841	\$ 9,550,535
EXPENDITURES /EXPENSES	<u>10,191,184</u>	<u>199,867</u>	<u>10,391,051</u>
NET	(688,490)	(152,026)	(840,516)
OTHER FINANCING SOURCES - NET	295,935		295,935
BEGINNING FUND BALANCES/NET ASSETS ...	<u>3,662,230</u>	<u>358,253</u>	<u>4,020,483</u>
ENDING FUND BALANCES/NET ASSETS	<u>\$ 3,269,675</u>	<u>\$ 206,227</u>	<u>\$ 3,475,902</u>

	<u>Proprietary Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
REVENUES	\$ 9,573,239	\$ 411,205	\$ 9,984,444
EXPENDITURES /EXPENSES	<u>10,435,063</u>	<u>(178,501)</u>	<u>10,256,562</u>
NET	(861,824)	589,706	(272,118)
OTHER FINANCING SOURCES - NET	(472,300)		(472,300)
BEGINNING FUND BALANCES/NET ASSETS ...	<u>6,870,688</u>	<u>26,420,146</u>	<u>33,290,834</u>
ENDING FUND BALANCES/NET ASSETS	<u>\$ 5,536,564</u>	<u>\$27,009,852</u>	<u>\$32,546,416</u>

CITY OF STORM LAKE
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2011

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities, and nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,816,141. The budget amendment is reflected in the final budgeted amounts.

CITY OF STORM LAKE
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	July 1, 2009	-	\$85,000	\$85,000	0.0%	\$2,250,000	3.8%
2011	July 1, 2009	-	\$85,000	\$85,000	0.0%	\$2,863,000	3.0%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF STORM LAKE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Special Revenue</u>			
	<u>Tort Insurance</u>	<u>Crime Prevention</u>	<u>Library</u>	<u>Expendable Gift</u>
ASSETS:				
Cash and cash equivalents	\$ 271,097	\$ 21,995	\$ 119,239	\$ 6,003
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	70,000	-	-	-
Accounts	13,801	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	42,726	-	-	-
	<u>\$ 397,624</u>	<u>\$ 21,995</u>	<u>\$ 119,239</u>	<u>\$ 6,003</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Deferred revenue:				
Succeeding year property tax	\$ 70,000	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	327,624	21,995	119,239	6,003
	<u>327,624</u>	<u>21,995</u>	<u>119,239</u>	<u>6,003</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 397,624</u>	<u>\$ 21,995</u>	<u>\$ 119,239</u>	<u>\$ 6,003</u>

Schedule 1

	<u>Permanent</u>	
<u>Law Enforcement</u>	<u>Emma Myers Trust</u>	<u>Total</u>
\$ 195,764	\$ 2,714	\$ 616,812
-	-	-
-	-	70,000
-	-	13,801
-	-	-
-	-	42,726
<u>\$ 195,764</u>	<u>\$ 2,714</u>	<u>\$ 743,339</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,000</u>
<u>-</u>	<u>-</u>	<u>70,000</u>
-	2,714	2,714
195,764	-	670,625
<u>195,764</u>	<u>2,714</u>	<u>673,339</u>
<u>\$ 195,764</u>	<u>\$ 2,714</u>	<u>\$ 743,339</u>

CITY OF STORM LAKE
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Special Revenue</u>			
	<u>Tort Insurance</u>	<u>Crime Prevention</u>	<u>Library</u>	<u>Expendable Gift</u>
REVENUES:				
Property tax	\$ 66,438	\$ -	\$ -	\$ -
Other tax.....	2,871	-	-	-
Intergovernmental	-	-	4,306	-
Use of money and property	2,304	202	3,752	-
Miscellaneous	15,442	10,117	3,137	-
TOTAL REVENUES	<u>87,055</u>	<u>10,319</u>	<u>11,195</u>	<u>-</u>
EXPENDITURES:				
Operating:				
Public safety	-	14,583	-	-
Public works	-	-	-	-
Culture and recreation	-	-	8,262	-
Community and economic development ...	-	-	-	243
General government	83,053	-	-	-
TOTAL EXPENDITURES	<u>83,053</u>	<u>14,583</u>	<u>8,262</u>	<u>243</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,002	(4,264)	2,933	(243)
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	4,002	(4,264)	2,933	(243)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>323,622</u>	<u>26,259</u>	<u>116,306</u>	<u>6,246</u>
FUND BALANCES - END OF YEAR	<u>\$ 327,624</u>	<u>\$ 21,995</u>	<u>\$ 119,239</u>	<u>\$ 6,003</u>

Schedule 2

	<u>Permanent</u>	
<u>Law</u>	<u>Emma</u>	
<u>Enforcement</u>	<u>Myers</u>	<u>Total</u>
	<u>Trust</u>	
\$ -	\$ -	\$ 66,438
-	-	2,871
-	-	4,306
258	-	6,516
34,261	-	62,957
<u>34,519</u>	<u>-</u>	<u>143,088</u>
82,158	-	96,741
8,953	-	8,953
-	39	8,301
-	-	243
-	-	83,053
<u>91,111</u>	<u>39</u>	<u>197,291</u>
(56,592)	(39)	(54,203)
<u>-</u>	<u>-</u>	<u>-</u>
(56,592)	(39)	(54,203)
<u>252,356</u>	<u>2,753</u>	<u>727,542</u>
<u>\$ 195,764</u>	<u>\$ 2,714</u>	<u>\$ 673,339</u>

CITY OF STORM LAKE
SCHEDULE OF AND CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Lake Improvements Commission				
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and cash equivalents	\$ 1,950,096	\$ 772,506	\$ 739,865	\$ 1,982,737
Interest receivable	2,139	15,087	17,226	-
Due from other governments	115,438	165,590	115,438	165,590
TOTAL ASSETS	\$ 2,067,673	\$ 953,183	\$ 872,529	\$ 2,148,327
LIABILITIES:				
Accounts payable	\$ 29,030	\$ 25,608	\$ 29,030	\$ 25,608
Due to other governments	2,038,643	927,575	843,499	2,122,719
TOTAL LIABILITIES	\$ 2,067,673	\$ 953,183	\$ 872,529	\$ 2,148,327

Drainage				
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and cash equivalents	\$ (8,380)	\$ 147	\$ 101,443	\$ (109,676)
Due from other governments	13,029	101,443	2,525	111,947
TOTAL ASSETS	\$ 4,649	\$ 101,590	\$ 103,968	\$ 2,271
LIABILITIES:				
Accounts payable	\$ 4,649	\$ 101,590	\$ 103,968	\$ 2,271
TOTAL LIABILITIES	\$ 4,649	\$ 101,590	\$ 103,968	\$ 2,271

CITY OF STORM LAKE
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES:				
Property tax	\$ 3,228,638	\$ 2,927,869	\$ 2,827,598	\$ 2,799,837
Tax increment financing	510,733	542,506	281,009	129,377
Other city tax	1,496,467	1,199,479	1,337,504	1,209,525
Intergovernmental	2,338,053	1,260,382	163,747	256,198
Licenses and permits	199,614	177,904	340,468	383,606
Charges for service	1,342,382	1,171,084	2,502,482	1,070,861
Use of money and property	65,105	271,658	1,171,521	1,150,540
Special assessments	-	-	-	-
Miscellaneous	369,543	472,114	663,245	443,993
 TOTAL REVENUES	 <u>\$ 9,550,535</u>	 <u>\$ 8,022,996</u>	 <u>\$ 9,287,574</u>	 <u>\$ 7,443,937</u>
EXPENDITURES:				
Operating:				
Public safety	\$ 2,301,118	\$ 2,130,274	\$ 2,092,319	\$ 1,996,699
Public works	1,237,937	1,043,094	1,029,727	1,007,552
Health and social service	5,464	5,984	9,796	14,221
Culture and recreation	1,594,837	1,482,908	1,444,437	1,494,431
Community and economic development	463,340	622,267	1,904,128	348,970
General government	338,549	366,308	386,912	338,702
Debt service	1,764,129	1,376,234	1,342,923	1,293,896
Capital projects	2,685,676	1,797,161	1,409,263	2,819,570
 TOTAL EXPENDITURES	 <u>\$ 10,391,050</u>	 <u>\$ 8,824,230</u>	 <u>\$ 9,619,505</u>	 <u>\$ 9,314,041</u>

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 2,669,623	\$ 2,625,565	\$ 2,369,578	\$ 2,201,582	\$ 2,143,224	\$ 2,067,635
83,873	84,850	36,460	33,264	31,544	30,661
1,352,178	1,132,590	1,076,883	1,113,416	961,224	830,486
182,624	109,485	100,288	142,724	97,694	127,029
759,810	693,381	298,777	445,652	184,277	312,140
2,563,765	1,535,489	2,059,008	1,476,894	1,291,763	2,093,900
487,579	430,791	472,177	464,140	372,442	358,163
-	-	1,343	50,142	21,963	22,513
628,511	866,338	563,315	130,143	328,504	263,919
<u>\$ 8,727,963</u>	<u>\$ 7,478,489</u>	<u>\$ 6,977,829</u>	<u>\$ 6,057,957</u>	<u>\$ 5,432,635</u>	<u>\$ 6,106,446</u>
\$ 1,731,813	\$ 1,747,843	\$ 1,741,482	\$ 1,640,085	\$ 1,720,395	\$ 1,633,205
871,683	921,209	947,440	819,776	812,980	716,976
12,850	10,700	9,034	15,700	15,700	10,000
715,125	837,193	829,871	837,515	826,506	718,526
351,232	336,781	365,144	408,725	330,421	517,937
287,970	273,172	278,934	268,705	242,472	329,345
1,207,354	570,555	361,282	456,073	355,951	386,814
7,596,287	3,807,559	2,150,456	1,676,848	1,662,726	1,643,794
<u>\$ 12,774,314</u>	<u>\$ 8,505,012</u>	<u>\$ 6,683,643</u>	<u>\$ 6,123,427</u>	<u>\$ 5,967,151</u>	<u>\$ 5,956,597</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Storm Lake
Storm Lake, IA 50588

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Storm Lake, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we considered to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Storm Lake, and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Starnes & Co., LLP

December 22, 2011

CITY OF STORM LAKE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies:

- I-A-11 Financial Statement Preparation - During our audit, we noted the City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the accrual basis of accounting. As is inherent in many organizations of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply the accrual basis of accounting in preparing the financial statements and the related disclosures.

Recommendation - The City should consider obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Response - The City will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Conclusion - Response accepted.

- I-B-11 Police Department Collections - The Police Department collects fines and fees, periodically remitting collections to the City Clerk for deposit. The City has determined the documentation supporting these collections did not agree with the amounts which were remitted to the City Clerk for deposit. The City is continuing its investigation into the differences, but does not expect the net results of the investigation to have a material effect on the financial statements.

Recommendation - To strengthen the control over the accountability of receipts generated by Police Department activities, the City should consider segregating the collection procedures from the control over original source documents or implementing further control by requiring an authorized independent person to verify collections with the original source documents.

Response - We have completed a study of the procedures, have made personnel changes, and will require an independent person to verify actual collections with the original source documents.

Conclusion - Response accepted.

Instances of Non-Compliance:

No findings were noted.

CITY OF STORM LAKE
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting

- II-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 did not exceed the amount budgeted.
- II-B-11 Questionable Expenditures - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.
- II-D-11 Business Transactions - No business transactions were noted between the City and City officials or employees.
- II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-11 Deposits and Investments - No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-11 Revenue Note - No instances of noncompliance with revenue capital loan note provisions were noted.